

(2014)

MINISTRY OF RAILWAYS
(RAILWAY BOARD)

SCRAP DISPOSAL SYSTEM IN INDIAN RAILWAYS



LOK SABHA SECRETARIAT

NEW DELHI

December, 2016 / Agrahayana, 1938 (Saka)

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COMPOSITION OF RAILWAY CONVENTION COMMITTEE
(2014)

Shri Bhartruhari Mahtab, MP - Chairperson

Members

Lok Sabha

2. Shri Abhishek Banerjee
3. Shri Sanganna Amarappa Karadi
4. Shri K. Ashok Kumar
5. Shri Kamalbhan Singh Marabi
6. Vacant*
7. Shri Nana Patole
8. Shri Janak Ram
9. Shri Rahul Ramesh Shewale
10. Shri Bharat Singh
11. Shri Liladharbhai Khodaji Vaghela
12. Shri K.C. Venugopal

Members

Rajya Sabha

13. Shri Derek O' Brien
14. Shri T.K. Rangarajan
15. Shri Prem Chand Gupta
16. Shri Abdul Wahab
17. Smt. Vandana Chavan
18. Shri Ranvijay Singh Judev

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- | | | |
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| 2. Shri M. K. Madhusudhan | - | Director |
| 3. Shri D. R. Mohanty | - | Additional Director |
| 4. Shri Gaurav Attray | - | Executive Assistant |

*Vacancy occurred w.e.f. 05th July, 2016 vice Smt. Anupriya Patel was appointed MOS

INTRODUCTION

I, the Chairperson, Railway Convention Committee (2014), having been authorized by the Committee, present this Tenth Report on 'Scrap Disposal System in Indian Railways'.

2. The Committee obtained background material and written information from the Ministry of Railways (Railway Board) in connection with the examination of the subject. The Committee also took oral evidence of the representatives of the Ministry of Railways (Railway Board) on 05th June, 2015 and 24th October, 2016. The Committee express their thanks to the representatives of the Ministry of Railways (Railway Board) for appearing before the Committee and also for furnishing requisite written information on the subject, as desired by the Committee.

3. The Committee considered and adopted this Report at their sitting held on 14.12.2016. The Minutes of the sitting of the Committee are appended to the Report.

4. The Committee place on record their appreciation for the valuable assistance rendered to them by the officials of the Lok Sabha Secretariat attached to the Committee.

5. For facility of reference and convenience, the Observations/ Recommendations of the Committee have been printed in bold letters in the Report.

New Delhi:
14 December, 2016
23 Agrahanaya, 1938 (SAKA)

BHARTRUHARI MAHTAB
CHAIRPERSON
RAILWAY CONVENTION COMMITTEE

PART - I

REPORT

I. INTRODUCTORY

Scrap consists of things that are not wanted or cannot be used for their original purpose, but which have some value for the material they are made of. It also consists of recyclable materials left over from product manufacturing and consumption, such as parts of vehicles, building supplies, and surplus materials. Unlike waste, scrap has monetary value, especially from recovered metals and even some non-metallic materials.

2. The Indian Railways is a massive generator of scrap. Prompt disposal of scrap generated on the Railways/Production Units not only helps in decongesting the work place and contributes to Swachh Bharat but also makes a significant contribution in generating revenue for the Railways.

3. Scrap is broadly sold in three major heads

- (a) Depot Scrap
- (b) Permanent way Scrap (Rail and Associated Components)
- (c) Condemned rolling stock

4. Scrap is sorted in the following categories to get the best price:-

- (a) Cast Iron(CI Sleepers)
- (b) Turning & boring (Process waste)
- (c) Light melting scrap (LMS like sheets, plates, Brake hanger, Brake Beam etc.)

- (d) Heavy melting scrap (HMS like wheels, axles & tyres, axle box etc.)
- (e) Rolling scrap(Rails)
- (f) Non-ferrous scrap (copper, brass, white metal, Lead etc.)
- (g) Condemned wagons, coaches & locos
- (h) Concrete sleeper.
- (i) Misc. Scrap (Paper, furniture, cloth etc.)

5. With a view to assessing the effective implementation of the scrap disposal policy put in place and adequate revenue generation therefrom, the Committee took up the subject for examination and report. In the process, the Committee obtained background notes, written replies and other relevant documents from the Ministry of Railways. The Committee also took evidence of the representatives of the Ministry of Railways (Railway Board) on two occasions. The Committee undertook on-the-spot Study Visits to various Zonal Railways to obtain first-hand knowledge on the subject matter. Based on the written and oral depositions of the Ministry of Railways as well as the inputs gathered during the field visits, the Committee have deliberated on the issues concerning the subject matter in the succeeding paragraphs.

II. MECHANISM FOR IDENTIFICATION, SEGREGATION AND DISPOSAL OF SCRAP

6. In response to the Committee's query regarding the mechanism put in place for proper identification, segregation and disposal of scrap, the Ministry in their written submission stated as under:

"Rails and other P Way scrap are generated mainly from 'Track Renewal' or 'Gauge Conversion' works. After 'Track Renewal' or

released rails & other P.Way material like sleepers, cast iron scrap, bearing plates, keys etc. are carried to the convenient stocking stations. These materials are segregated into serviceable and unserviceable categories. The serviceable materials are kept for future use. The unserviceable rails and other P way scrap as identified by the officers in charge and approved by competent authority are disposed as scrap. This scrap is sold at site. Scrap generated from Shops and sheds is generally transferred to nearby depot for disposal. The scrap is formed in suitable lots by segregating the same into broad identifiable classifications for example melting, re-rolling, industrial, cast iron etc. Before putting up for auction and disposal, every lot of such scrap material is surveyed by a committee of three senior officers for their recommendations to classify it as scrap and accepted by the competent authority."

7. Asked to state whether any specialised scrap management wing/body has been created, the Ministry submitted as under:

"Yes, Scrap disposal is handled by Stores Department of Indian Railways. Scrap disposal is one of the important functions of Stores Department which generates revenue of more than Rs. 3000 crores per year. The scrap generated on the Indian Railways is dealt in a systematic & planned manner wherein detailed system of accountal and disposal is in place with inbuilt checks and balances. Each Zonal Rly. is having one senior officer of Stores department (Chief Materials Manager/Sale) who is responsible for entire sale activity including co-ordination with various Departments, Railway Board and field officers for day-to-day auction & monitoring. Guidelines on disposal of scrap and auction sales as contained in chapter 24 of Indian Railways Stores code are fully followed by Indian Railways "

8. The Committee then desired to know whether any survey of the Stores/Depots was being carried out before any item was sold as scrap. In response, the Ministry submitted as follows:

“There is a well laid down system of Survey Committee consisting of officers of Stores, Technical and Finance departments which physically examines such materials and the recommendations of this committee is required to be approved by competent authority before the same can be classified as scrap for further disposal. Any material, which has not been utilized for 2 years due to obsolescence etc. or any other reasons is closely scrutinized for future use before declaring it as Scrap.”

9. Elaborating the issue, the Ministry further apprised as under:

“Material which is no more required by the Railway is declared as scrap only after physical verification and review by the survey committee, which also consists of a technical member, and subsequent approval of the recommendations of the committee by competent authority, hence no repairs are carried out on material declared as scrap. The stores officer incharge of Auction takes into consideration various factors while fixing the reserve price of the lots such as Rates of similar scrap received in adjoining Depots, the rates of scrap published in leading daily newspapers, rates of scrap and new material on stock/ metal exchanges, liaison with local manufacturers and purchasers of scrap to anticipate the demand in the market etc., so as to get best price in E-Auctions.”

10. Asked to comment on the failure of the Railways in conducting stock verification of scrap as per the laid down norms, as pointed out by the C&AG the Ministry responded as under:

“Stock verification is done as per the prescribed schedule. The sporadic instances of non-verification have been due to relative inadequacy of stock verifiers and voluminous nature of material. However, Zonal Railways have been directed to ensure regular verification as per stipulated schedule.”

11. When the Committee desired to hear the views of the Chairman, Railway Board on non-verification of stocks, he submitted in evidence:

“...You had mentioned about stock verification not done somewhere. What you said is absolutely right. There are mandatory instructions that all scrap is to be verified once in a year. If a dispensation has to be given for not doing verification, maybe because the lot is too big and it is not possible to weigh it physically, then that dispensation has to be given by Head of the Stores Department, i.e., Controller of Stores and F&CO personally and they have to record a certificate to that extent. But Sir had mentioned some cases which can definitely be seen...”

12. Asked to throw more light on the segregation and disposal of scrap, the Chairman, Railway Board deposed:

“...In Indian Railways, we dispose of scrap worth little more than Rs.3,000 crore every year. Scrap basically consists of unserviceable rail and other P way material, condemned rolling stock like locos, coaches, wagons, condemned machinery and plant, waste oil, empty drums, other unserviceable ferrous and non-ferrous scraps. The broad break up is that P way scrap is almost 50 per cent of the total scrap disposal. These P way scraps are generally sold after forming the lot nearest to the site where it is generated. Then whatever is the scrap arising at other places or whatever is arising in our railway workshops etc., which is all consigned to some Stores Depot from where it is disposed of. Such ferrous and non-ferrous scrap amounts to almost 40 per cent of the total scrap value.”

13. On being queried about the segregation of ferrous and non-ferrous scrap, the Chairman, Railway Board submitted:

“We have a system of segregating the scrap and making the lots as per the category so that we get the optimum price of that lot. But normally this type of thing may happen only in case of rolling stock particularly, earlier type of rolling stock say, steam locomotives etc., which had substantial portion of non-ferrous content. In the present rolling stock that non-ferrous content has substantially gone down. Some non-ferrous is there as a part of electrical equipment and that is definitely taken into account while fixing the reserve price. It has not been found practical and even financially viable proposition to separate out those items because there is cost to that. Perhaps cost of taking out and separately selling out also will have to be added.”

14. When the Committee desired to know about the disposal of the condemned rolling stock, the Chairman, Railway Board responded:

“...Another category is condemned rolling stock because the rolling stock has outlived its life or a small portion may be on account of accidental rolling stock which cannot be used and that consists of around ten per cent of the total value. In tonnage terms, we dispose of around ten lakh metric tonnes of scrap every year. Rolling stock is counted in number and that is not included in annual projections for the scrap disposed”.

15. The Committee then queried whether any time line had been fixed for efficient and expeditious disposal of scrap. In response, the Ministry submitted as under:

“There is a prescribed time schedule for different stages i.e., identification and collection, disposal and payment and delivery of scrap disposal. These timelines are being complied by the Railways. The scrap material is not treated further, once it is declared as scrap, since same is sold on ‘as is where is basis’.”

16. Asked to elaborate indicating the exact time line prescribed, the Ministry further stated as follows:

“All out efforts are made to dispose off scrap in the most efficient and expeditious manner. It is worth noting that the scrap balance at the end of the financial year(2014-15) was equivalent to 40 days average value of the financial year, which is quite

reasonable, considering that 50 days are allowed to the purchasers to lift scrap lots after sale of scrap in auction.”

17. When the Committee desired to hear the views of the Chairman, Railway Board on the issues of time lines prescribed for disposal of scrap in an efficient manner, he submitted in evidence:

“...After the bid is accepted, we organize the deliveries. We have fixed a time when he has to deposit the balance sale value of the goods that he has bought. It is 20 days for most of the stocks and total delivery time is 50 days from the date of auction. All the scrap that is deposited from railway premises is weighed before delivery – rolling stocks and all that which are in numbers and they are delivered only by numbers. But otherwise, about 90 per cent of the stock is weighed before it is physically delivered. The delivery is witnessed by three railway official along with the person who has bought or who has won the bid in the auction. There is a Custodian Supervisor. He is from a Stores Department if it is a depot lot and if it is a line lot, then he is the Custodian of the Material. Then there is an Accounts representative, Stock Verifiers. Then we have one representative from Security Department, that is, RPF. So, these three supervisors along with the purchaser’s representative jointly witness the delivery and only after that it is handed over to the party. That is in brief how we handle the scrap...”.

18. The Committee then asked whether the time frame of 50 days could be reduced. In response, the Chairman, Railway Board submitted:

“Sir, I am advised that the delivery time that I had stated 50 days has been reduced to 40 days. The time within which he is required to deposit the money was 20 days which has now been reduced to 15 days. So, while he has to deposit the balance money, which he is required to deposit for the value of the sale within 15 days, the delivery time allowed is 40 days. I would say that earlier the time used to be even longer. It was brought down to 50 days and now we have brought it down to 40 days. So, we are already working on it.”

19. As regards delay in the disposal of accidental rolling stocks, the Chairman, Railway Board apprised:

"As far as accidental rolling stock is concerned, Sir had mentioned that they keep lying for quite some time. We have to keep those rolling stocks till the time Commissioner of Railway Safety complete the inquiry. Once the inquiry is complete, only then we start with the procedure of offering it to properly condemning it and offering it to Stores Department for disposal of the system. We have proper systems and we take care of it".

20. On being asked about the measures taken for reutilization of Scrap and the quantum of scrap being reutilized by the Indian Railways, the Ministry in their written response submitted that serviceable rails and sleepers were being re-utilized within the Railways in sidings. Scrap generated by the Railways was being utilized in-house by the manufacturing units of Railways at Rail Wheel Factory, Bangalore and Rail Wheel Plant, Bela. Around 80,000 MT scrap, valuing approx Rs 200 crores, had been utilized by these plants.

21. In response to a specific query regarding disposal of non-recyclable scrap without causing any environmental menace/hazard, the Ministry apprised that scrap materials such as Battery, waste lube oil, hazardous waste and electronic waste etc. were disposed of as per the guidelines issued by the Ministry of Environment and Forests and contained in the Hazardous Wastes (Management and Handling) Rules, 1989, The Batteries (Management & Handling) Rules, 2001 and The E-Waste (Management & Handling) Rules issued in May 2011. The Ministry further stated that all the Zonal Railways were complying with these guidelines and keeping in view these guidelines, sale of such scrap was restricted to only authorized/certified persons/agencies. Further, depots handling

norms either as a part of attached workshop or independently. Most of the major workshops were also certified under ISO-14001 which pertained to environment management system.

22. On the issue of absence of weighing facilities at sender's locations, the Ministry clarified that scrap was generated across the entire length and breadth of the country wherever there were activities relating to Railways, as such it was practically not feasible to have weighing facilities at all the locations of scrap generation.

23. Elaborating the issue, the Chairman, Railway Board submitted in evidence:

“...A point was made about weigh bridges. In all the stores depots, we have provided the weigh bridges. The lots which are disposed of from stores depots, the weigh bridges are provided for that. But there are a lot of line lots which are undelivered. The line lots are in numbers or in meters. For one which are to be weighed, we do not have weigh bridges at all line locations. That is physically not possible to have. Therefore, they are taken to the nearest Dharam Kanta and all the three delivery witnessing officers go to that Dharam Kanta along with that truck itself. It is not that they will go separately. Those are the instructions and it is weighed in their presence and it is certified. We take reasonable precautions in this regard...”.

24. The Committee then sought the comments of the Ministry on the C&AG findings regarding variations in the estimated projections and actual arising of scrap. In response, the Ministry stated as under:

“There is bound to be variation between actual arising and the estimated projection on account of several factors such as, availability of funds for track renewal or gauge conversion works, progress of works, priority to important works

availability of new items for replacement, extent of wear and tear and proportion of serviceable items, etc. The system of assessment and monitoring disposal of scrap is in place but it is reiterated that scrap arising cannot be forecast accurately due to innumerable variables and there can be no mathematical model to forecast the same. Assessment is carried out in the best possible manner and it does not tantamount to a system deficiency. As far as sale of scrap is concerned, all possible efforts are made to sell the scrap at the earliest. All lots put up for auction cannot be sold in the first auction. Some delays are due to factors beyond railways control, such as adverse market trends, non-availability of liquid money with the purchasers, low demands of recyclers/ultimate users of scrap, etc. Unsold lots pending for a long time are monitored by Auction Conducting Officer by inspecting the condition of the lots, road approach etc. for its remedial action and further action for disposal.”

III. REVIEW OF SCRAP DISPOSAL POLICY

25. The Railway Minister in his Rail Budget Speech (2015-16) stated that scrap disposal policy would be reviewed. In that context, the Committee desired to know the details of the modifications/improvements proposed in the scrap disposal policy. In reply, the Ministry stated as under:

“A committee of four officers was nominated by the Board on 11.03.2015 for review of scrap disposal policy. The committee has submitted their report to the Board on 07/05/2015. The recommendations of the committee are under consideration of the Board and policy changes, if any, would be advised to all Zonal Railways/PUs after the acceptance of the recommendations by the Board. No lacuna has been pointed out by committee. The committee has suggested measures for speedier scrap disposal.”

26. When the Committee sought an update of the implementation of the recommendations of the Committee constituted for scrap disposal, the Chairman, Railway Board submitted in evidence:

“Regarding the Committee that was formed for reviewing the procedures, the Committee has submitted the report. We have

accepted and issued instructions based on the recommendations of the Committee in January, 2016”.

27. The Chairman, Railway Board further submitted:

“Let me submit for the consideration of the Committee that the Indian Railways has been one of the oldest organisations who have been disposing of this scrap in a very systematic manner and the procedures adopted by Indian Railways have been perhaps one of the best laid down procedures taking into account all the aspects of scrap disposal.”

IV. E-AUCTION AND TRANSPARENCY IN SCRAP DISPOSAL

28. The Committee were informed that Scrap was sold through e-auction by the Railways. Module for e-auction had been developed by Centre for Railway Information System (CRIS). This was introduced on pilot project basis on 6th March, 2012. Since then, it has been introduced on entire Indian Railways.

29. The Committee were further apprised that Indian Railways had completely switched over to E-auction w.e.f. 01.06.2013 and adopted e-auction as normal mode of scrap disposal except for certain low-value miscellaneous items like waste paper, packing boxes, wooden packing materials etc which occupy huge space in depots and also carries the risk of fire hazard/evaporation loss etc. E-auction was conducted on nominated days through IREPS website.

30. Asked to state the detailed procedure to award the contract through e-auction, the Ministry stated as under:

“On closure of e-auction for a particular lot, the highest bid is compared by system with decrypted reserve price and auto acceptance/rejection of highest bid takes place by the system itself by its comparison with reserve price. The highest bid is accepted only if it is equal to or more than reserve price.

Generally, lot size does not exceed Rs. 50 lakh in money terms and quantity does not exceed 500 MT. Delivery is taken by successful purchaser as per terms of sale i.e. within stipulated time, otherwise ground rent is levied.”

31. The Committee asked whether all the Zones/Divisions had completely switched over to the e-auction. In reply, the Ministry stated that all the Zones had completely switched over to e-auction. Elaborating the issue, the Chairman, Railway Board submitted in evidence:

“...Basically, we have 16 zones and one is Metro Railway which is very small. Around 40 workshops are there. It is done at major depots which are attached to workshops. Auctions basically depend on the arising. We have nominated the points. It is not that auctions are conducted in all divisions. There are divisions which are very small where arising may be very less. We have combined some of the auction points of divisions with depots also. Some of the Depot Officers conduct the auction for the adjoining divisions also. So, in total there are 61 auction points...”

32. Asked to state the measures taken to encourage wider participation of bidders in e-auction, the Chairman, Railway Board deposed:

“Normally, we have not fixed a minimum size but for a maximum, so as to have a wider participation, we have said that lots of not more than 500 tonnes or around not more than 50 lakhs should be there. That is only a general guideline. But there can always be an exception to that. Generally, we make sure that lots are not too big so as to allow only the big purchasers to bid for it.”

33. On being asked about the mechanism put in place to fix the reserve price for any scrap lot before the bidding tender was floated, the Chairman, Railway Board submitted:

“Reserve price is fixed based on a lot of information. That particular officer who fixes the reserve price takes into account the prices which have been obtained on the last so many auctions. He takes into account the price trend which has gone up or down. There are various journals which are available and they regularly publish the scrap prices which are there. It comes in Economic Times and in various other journals. That information about the market price is also there. The information about the last prices is also available.”

34. When the Committee queried about the confidentiality of the Reserve Price, the Chairman, Railway Board apprised:

“Reserve price is something which is kept absolutely confidential. The price that will be obtained in the auction has nothing to do with the reserve price, and in case, it is a fair auction where there is no rigging, what are you going to get is the reasonable market price. The reserve price is only a benchmark which guides that officer not to sell the item below that. It is only a benchmark that is kept with him so that at that point of time, he need not assess the minimum bench mark at which he is supposed to sell it. So, the fair auction or a fair tendering is supposed to achieve the best market price which may be even higher than the reserve price. Reserve price does not mean that he will not accept a bid higher than that and he will stop the auction at that. In e-auction, all that is done by the system. That fellow does not interfere in this process of auction itself which used to be there in the earlier manual auction. Over a period of time we have improved the system so as to minimise

the manual interference, discretion substantially so as to obtain the best price.”

35. The Committee then specifically desired to know about the improvement ushered in after introduction of e-auction. In response the Ministry submitted as under:

"E-Auction has succeeded in eliminating direct human interface between the bidders as well as the seller, thereby avoiding the possibility of cartel formation. E-auction has thus brought in greater transparency in the system of scrap disposal. As far as collection of revenue for scrap is concerned, the same depends upon the arising as well as the market conditions which determine the rate of scrap. The precise contribution of e-auction to improved price realization is difficult to determine, although transparency and wider competition would create ideal conditions for realization of the best price possible.”

36. Asked to state the extent to which e-auction had succeeded in preventing cartelisation and ‘mafia raj’, the Chairman, Railway Board submitted in evidence:

“As far as cartel is concerned, what e-auction has basically resulted in that physically people do not have to come to attend the auction. Earlier there used to be a lot of complaints some mafia people are not allowing some interested parties to participate in the tender. Since there is no physical presence, he has to do the bidding sitting in his office or anywhere on computer with an internet connection. So that problem of forcing somebody not to attend the auction, is over.”

37. The Committee then pointed out that there was a press item in one of the leading newspapers wherein it had been mentioned that one bid of the Government of Karnataka was blocked to facilitate the finalization of the bid of some other bidders. In response the Chairman, Railway Board deposed:

“Firstly, we never had any case where certain section of bidders was blocked or is it possible to block them. We have a system which has been developed in house with assistance of our IT arm which is crisp and we never had any such case. But now that you mentioned about one case of Karnataka Government, we have taken note of it and we will definitely ascertain from them as to what exactly was the case and try to take those precautions in our system”.

38. The Committee then asked whether any cases of embezzlement and irregularity in scrap disposal had come to the notice of the Railways. In response, the Ministry submitted as under:

“Though there is a well laid down procedure for disposal of scrap, there have been some instances of irregularities in scrap disposal. The amount involved in the reported irregularities in scrap disposal during the last three years i.e. 2012, 2013 and 2014, were of the order of Rs. 3.37 crores, Rs.90 lakhs and Rs.1.02 crores respectively. The officials found responsible for the irregularities/lapses have been taken up. With the introduction of e-auction direct human interface between bidders as well as sellers has been eliminated, thereby avoiding the possibility of cartel formation. Further, some of the Zonal Railways have indicated increased participation of bidders after introduction of e-auction.”

39. The Chairman, Railway Board supplemented in evidence:

“...at times we do receive complaints and those complaints are investigated by departmental offices. If they have any mala fide etc., it is also looked into by vigilance. This is one of the thrust areas assigned to vigilance to keep conducting preventive checks so that there is a general sensitisation that people take care at the time of deliveries. There are surprise checks done by vigilance at the delivery point itself. Suppose a lot has already been delivered and an issue note has already been signed, the truck will be stopped and again re-weight to ensure that whatever weight has been written in that issue note matches with what has been seen in the surprise check. So, we keep doing those checks so as to see that the system is working fine and there is no connivance of our delivery staff with that of purchasers. So, all these checks and balances are there. So, wherever we get complaints we do investigate and take appropriate action...”

40. Asked to state the transparent policy/mechanism put in place to prevent/curb theft, pilferage and leakage of revenue, the Ministry submitted as under:

"Well organized procedure and systems exist on the Railways for the disposal of scrap, so as to maximize the earnings of the railways using high degree of transparency and competition with adequate controls at different stages of disposal of scrap. The internal control mechanisms in the Railways are as under:

- (i) All scrap are received in the depot on prescribed Performa.
- (ii) The items proposed to be sold as scrap are examined by a survey committee consisting of officers from User, Stores and Accounts departments and approved competent authority, before being put up for sale in Auction.
- (iii) The disposal of scrap is proposed in suitable lots with appropriate divisible quantities. With complete information

auction catalogue is prepared and uploaded on railway public website ie IREPS and wide publicity of auction is given through newspapers also.

(iv) E-Auction has been introduced in all Railways/Production Units from 01.06.2013 to bring total transparency in scrap disposal.

(v) The delivery of scrap is given to the purchasers jointly by representatives of three different departments, viz. Stockholder, Accounts and Security departments which eliminates any possibility of connivance.

(vi) Electronic weigh bridges have been installed in all the scrap depots thereby eliminating errors in weighment.

(vii) Periodical/surprise checks are conducted by the Departmental organization and the Vigilance organization during the entire process of scrap disposal.

(viii) CCTV cameras have been installed in many depots in vital areas to keep surveillance of scrap depots. The existing instructions and internal control mechanisms are sufficient to safeguard the interest of the Railway."

41. Asked to state categorically whether the procedure put in place was fool-proof to deter connivance and obviate chances of pilferage, the Chairman, Railway Board submitted in evidence:

"...we have a system that every delivery is witnessed by four officers. The officers are, the Custodian, the Stock Verifier, the Purchaser and a representative from the RPF. Everything is weighed on an electronic weigh bridge. If all the four fellows connive, then of course anything is possible. But chances of all the four fellows conniving and then making an excess delivery are less. I can only say that. Moreover, there is a proper accountal of the system. Unless there is excess material in that lot, there cannot be a case of excess delivery. So, the accountal system is there, the procedure of delivery is there and chances of such a thing are less. But if everybody connives, then I also

V. REVENUE GENERATION

42. The performance of the Railway in terms of volume of scrap disposal and revenue earned during the years 2012-13, 2013-14 and 2014-15 was stated to be as under:

Year	Value of Scrap Disposal(in crores)	Scrap disposed in MT	Wagons disposed in nos
2012-13	Rs.3,535	10,48,000	8,879
2013-14	Rs.3,494	10,64,000	8,834
2014-15	Rs.3,247	10,01,000	7,681

43. Asked to furnish revenue generation from each category of scrap during the above said years, the following comparative data was submitted to the Committee:

Fig. in Rs. Crs.

Financial Year	Rail	P.Way	Rails & P-way	Other Ferrous	Non Ferrous	Wagons	Coaches	Locos	Misc	Total
2012-13	1281.67	708.46	1990.13	847.01	233.35	144.25	58.00	26.41	235.21	3535
2013-14	1367.05	553.6	1920.65	821.1	271.09	135.3	59.76	34.99	252.21	3495
2014-15	1172.59	476.19	1648.78	849.05	149.17	120.04	70.32	32.46	377.18	3247

44. In evidence, the Committee desired to know the revenue generated from scrap disposal during 2015-16. The Chairman, Railway Board submitted that Rs. 2801 crore was generated through scrap disposal during the year 2015-16.

45. On being asked to state the targets fixed for revenue generation from scrap disposal during the above said years and reasons for steady decline in revenue generation from 2012-13 onwards, the Ministry in their written submission stated as under:

“The revenue generation from sale of scrap in the last three years has been Rs. 3535 crores (2012-13), Rs. 3495 crores (2013-14) and Rs. 3247 crores(2014-15) against target of Rs 3400. 4500 and 3521 crores respectively. Because of gradual

improvement of rolling stock assets, the volume of wagon condemnation has declined. Similarly on account of completion of gauge conversion, arising of scrap MG rails has declined.”

46. The Chairman, Railway Board elaborated in evidence:

“On the specific cases that the scrap disposal value is going down, I would say that it depends upon two factors – one is the quantum of the material that has been available and the other is the prevailing market rate. We have also given the details of the scrap disposed in metric tonnes as well as the number of wagons disposed of. We have not given all other details. But as you may kindly see that the value of the scrap disposed in metric tonnes has gone down and the number of wagons has also gone down”.

47. Asked to state specifically whether the decline in revenue generation could be attributed only to the slump in the market rate, the Chairman, Railway Board summed up:

“It depends upon so many factors and not one factor. Secondly, no two lots are exactly identical. Whatever is the wear and tear, whether it is corroded and to what extent it is corroded, the location of the lot whether that site is easily approachable, whether the purchaser can easily lift it, whether there is a proper road to that point or not, what is the consumption point? Is it the re-rolling mill or furnaces etc. where it is ultimately used? What is the distance from the site that I have disposed of? More than that, market rate keeps fluctuating substantially. We keep getting a lot of scrap ships which are cut in Gujarat and all that. That has a great effect on the prevailing scrap prices. The time you get more scrap from the cutting of the ship etc., the market price in India goes down. So no one factor can be

assigned to the reason that what is the prevailing market price? But, we do take into account all these factors by accessing to the reports, business newspapers and various journals which are exclusively printed and published in various mandis as to what are the scrap rates that are available. That is made use of when we make an assessment like that.”

PART-II

OBSERVATIONS / RECOMMENDATIONS

1. The Committee note that the Indian Railways is a massive generator of scrap which falls in the categories of Cast Iron, Turnings and Boring, Rolling scrap, Non-ferrous scrap, Condemned Wagons, Coaches and Locos etc. Scrap Disposal is one of the important functions of Indian Railways' Stores Department which generates revenue of more than Rs. 3000 crore annually. The Committee have been informed that scrap generated on the Indian railways is dealt in a systematic and planned manner wherein a detailed system of accounting and disposal is in place with inbuilt checks and balances. In this context, the committee find that there is a Survey committee consisting of officers of the Stores, Technical and Finance Departments which physically examines the materials and the recommendations of the survey committee is approved by the Competent Authority before the materials are classified as scrap for the further disposal. Despite such well laid down system of sorting out and disposal of scrap, the Ministry have candidly admitted that there have been sporadic instances of non-verification of stock due to relative inadequacy of stock verifiers and voluminous nature of material. As stock verification as per the prescribed schedule is a fundamental and critical component in the whole process of scrap disposal, the

Committee urge the Railway Board to impress upon the Zonal/Divisional Railways to strictly adhere to the schedule of stock verification for appropriate disposal of scrap.

2. The Committee have been informed that there is a prescribed time schedule for identification, collection, disposal and payment and delivery of scrap. In this context, the Committee find that the earlier time line of 50 days for delivery of scrap and 20 days for making payments by the successful bidders has been reduced to 40 days and 15 days respectively. As delay in disposal of scrap causes environmental hazards besides leading to corrupt activities and leakage of revenue, the Committee desire that more concerted efforts should be made to dispose the scrap at the earliest.
3. The Committee's attention has been drawn especially to delay in disposal of accidental rolling stocks. The Chairman, Railway Boards has clarified that the accidental rolling stocks keep lying till the time the Commissioner of Railway Safety completes the inquiry. The Committee recommend that a reasonable time frame should be prescribed for the Commissioner, Railway Safety to complete his inquiry within the given time line so as to enable the Railways to initiate the process of condemning the accidental rolling stocks and offer them to the Stores Department concerned for early disposal.

4. The Committee appreciate that scrap like serviceable rails and sleepers are being reutilized within the Railways in house by the manufacturing units as a result of which around 80,000 MT scrap, valuing approximately Rs. 200 crore has been reutilized. In view of the massive scrap generated by the Railways it is a judicious move on the part of the Railways and the Committee desire that efforts should be made to reutilize more serviceable scrap generated so as to effect economy.
5. The Committee are pleased to note that non-recyclable scrap materials such as battery, waste lube oil, hazardous and electronic waste are disposed of as per the guidelines issued by the Ministry of Environment and Forests and complying with the State Pollution Control Board norms. Further, sale of such scrap has been restricted to only Authorized/Certified Persons/Agencies. The Committee are of the considered opinion that these are steps in right direction and the Railways should strengthen its monitoring mechanism to ensure compliance of the Guidelines/norms by all the Zonal/Divisional Railways so that non-recyclable scrap materials are disposed of without causing any environmental hazard/menace.
6. As regards provision of weighing facilities at the scrap sender's locations, the Ministry have submitted that scrap is generated across the length and breadth of the country and as such it is not practically feasible to have weighing facilities at all the locations of scrap generation.

The Committee are not convinced with the reasoning advanced by the Ministry though the fact remains that scrap is generated in a massive way in the Indian Railways. The Committee are of the firm view that the weighable scrap, if sold without weighing at the sender's location, will definitely lead to revenue loss from the Railways. They, therefore, desire the Railway Board to look into the matter and ensure provision of weighing facilities in maximum possible scrap generation locations.

7. The Committee note that pursuant to the Railway Minister's Budget speech to review the scrap disposal policy a Committee of four officers was constituted by the Railway Board for the purpose on 11 March, 2015. That Committee submitted its report on 7 May, 2015 and its recommendations have been accepted and instructions issued to the Zonal Railways/PSUs in January, 2016 to comply. The Committee believe that the Railway Board would periodically monitor the compliance of the recommendations of the Review Committee by the Zonal Railways/PSUs for transparent and speedier disposal of scrap. The Committee would also like to be apprised of the salient features of the recommendations made by the Review Committee for disposal of scrap.

8. The Committee note that Indian Railways have completely switched over to e-auction of scrap w.e.f. 1 June, 2013 and adopted e-auction as normal mode of scrap disposal except for certain low value miscellaneous items. Such auction has succeeded in eliminating direct

human interface between the bidders as well as the seller, thereby avoiding the possibility of cartel formation and bringing in greater transparency. While taking note of the efforts made by the Railways to foster greater transparency in the disposal of scrap, the Committee would like the Railway Board to guard against connivance, interference and cyber crimes in the e-auction process so as to encourage greater participation of bidders and earning best prices for the Railways. The Committee would also like the Railway Board to look into one reported case of the Karnataka Government's bid being blocked to facilitate the finalisation of bid in favour of some other entity.

9. The Committee are deeply concerned to observe that there have been reported instances of irregularities in scrap disposal during the years 2012, 2013 and 2014 involving an amount of Rs. 3.37 crore, Rs. 90 lakh and Rs. 1.02 crore respectively. The Railway official found responsible for such irregularities have been taken to task. The Committee impress upon the Railway Board to exhibit zero tolerance towards irregularities in scrap disposal, especially after adoption of e-auction mode, and take all precautionary and preventive measures to stop leakage of revenue for scrap disposal.
10. The Committee note that the reserve price for e-auction is based on a lot of information like taking into account the price trend during the immediate preceding years, consulting various journals newspapers etc.

Further, according to the Railway Board, the reserve price is kept absolutely confidential. As fair auction/tendering fetches the best market price, the Committee desire that the Railways should take all requisite measures to continue to maintain the confidentiality of the reserve price with a view to stop manipulation of a well laid procedure/system.

11. The Committee note that from 2012-13 to 2015-16, the revenue generation from scrap disposal has shown a declining trend. For example, in 2012-13 Rs. 3535 crore was earned through scrap disposal whereas in 2015-16, it has come down to Rs. 2801 crore. Such declining trend has been attributed to decrease in the quantum of scrap being generated, as well as the prevailing market prices. Ironically, the decline in revenue generation has coincided with the introduction of e-auction. The Committee, therefore, desire that the precise contribution of e-auction to improved price realization be determined to the extent possible as it is expected that transparency and wider competition would create an ideal condition for realization of the best prices.

New Delhi:
14 December, 2016
23 Agrahayana, 1938 (SAKA)

BHARTRUHARI MAHTAB
CHAIRPERSON
RAILWAY CONVENTION COMMITTEE

RAILWAY CONVENTION COMMITTEE (2014-2019)

MINUTES OF THE 3rd SITTING OF THE COMMITTEE HELD ON
Friday 5th June, 2015

The Committee sat from 1100 hrs. to 1210 hrs. in Room No.-139, First Floor,
Parliament House Annexe , New Delhi.

PRESENT

SHRI BHARTRUHARI MAHTAB - Chairperson

Members

Lok Sabha

1. SHRI SANGANNA AMARAPPA KARADI
2. SHRI JANAK RAM
3. SMT. ANUPRIYA PATEL

Rajya Sabha

1. SHRI AVINASH RAI KHANNA

Secretariat

- | | | | |
|----|-----------------------|---|-----------------|
| 1. | Sh. K. Vijayakrishnan | - | Addl. Secretary |
| 2. | Smt. Anita Jain | - | Joint Secretary |

Representatives of the Ministry of Railways

S.No	S/Shri	Designation
1.	A . K. Mittal	Chairman, Railway Board
2.	V.K Gupta	Member, Engineering
3.	Hemant Kumar	Member (Mechanical)
4.	Ajay Shukla(L/A)	Member (Traffic)
5.	Navin Tandon	Member (Electrical)
6.	S. Vijayaraghavan	Addl. Member (Finance)
7.	S.P. Piplani	Addl. Member (Railway Stores)
8.	Man Singh	Addl. Member (Electricals)

2 At the outset, the Hon'ble Chairperson, on behalf of the Committee, welcomed the representatives of the Ministry of Railways (Railway Board) to the sitting of the Committee convened to have a briefing by the Ministry of Railways on the subject "Scrap Disposal System in Indian Railways".

3. The Chairperson drew the attention of the witnesses to Directions 55 and 58 of Directions by the Speaker regarding Confidentiality of proceedings of the Committee. Thereafter, the Members raised various issues like the timely identification and collection of scrap, methods adopted by the Railways for speedy disposal of scrap accumulated in scrap depots, transparency in the periodical/surprise check by vigilance organizations, use of innovative methodology for re-utilization of scrap, policy for disposal of non-re-cyclable scrap without causing any environmental hazard, etc.

4. Thereafter, officials of the Ministry of Railways responded to the queries. The Committee desired that replies to the points on which information was not readily available may be furnished to the Secretariat within 10 days.

A verbatim record of the proceedings has been kept.

The Committee then adjourned.

RAILWAY CONVENTION COMMITTEE (2014)

MINUTES OF THE NINETEENTH SITTING OF THE COMMITTEE

The Committee sat on Tuesday, the 24th October, 2016, from 1500 hrs. to 1615 hrs. in Committee Room-D, Parliament House Annexe, New Delhi.

PRESENT

Shri Bhartruhari Mahtab - Chairperson

Members

Lok Sabha

2. Shri K. Ashok Kumar
3. Shri Sanganna Amarappa Karadi
4. Shri Kamalbhan Marabi
5. Shri Rahul Ramesh Shewale
6. Shri Janak Ram
7. Shri K.C. Venugopal

Rajya Sabha

8. Shri T.K. Rangarajan
9. Shri Prem Chand Gupta
10. Shri Abdul Wahab
11. Shri Ranvijay Singh Jude

Secretariat

- | | | |
|--------------------------|---|----------------------|
| 1. Sh. K. Vijayakrishnan | - | Additional Secretary |
| 2. Sh. M. K. Madhusudhan | - | Director |
| 3. Sh. D. R. Mohanty | - | Additional Director |

Witnesses

Representatives of the Ministry of Railways (Railway Board)

- | | | | |
|----|--------------------|---|-------------------------|
| 1. | Sh. A.K. Mital | - | Chairman, Railway Board |
| 2. | Sh. Hemant Kumar | - | Member (Rolling Stock) |
| 3. | Sh. Shahzad Shah | - | Addl. Member (Budget) |
| 4. | Sh. Bhaskar Narang | - | Adviser/RS (Planning) |

2. At the outset, the Chairperson welcomed the Members and the representatives of the Ministry of Railways (Railway Board) to the sitting of the Committee, convened to have further evidence on the subject “Scrap Disposal System in Indian Railways”. Impressing upon the witnesses to keep the proceedings of the Committee “Confidential”, the Chairperson asked the Chairman, Railway Board, to brief and update the Committee about the Scrap Disposal Policy currently followed by the Indian Railways.

3. Accordingly, the Chairman, Railway Board, highlighted the performance since switching over to 100% e-tendering in all the Zonal Railways, measures taken to reduce theft/pilferage from the depots, timely identification and separation of costly items from the scrap, steps taken to check cartelization, rigging and unfair bidding, mechanisms put in place to set the 'Reserve price', declining revenue from scrap e-auctioning, etc. The representatives of the Railway Board also responded to various queries raised by the Members on the subject matter. The Chairperson asked the Chairman, Railway Board, to furnish written replies to those queries, which remained unanswered, within a period of 10 to 15 days. The Chairman, Railway Board, assured to comply.

4. The Chairperson thanked the witnesses for appearing before the Committee and for furnishing the available information that the Committee desired in connection with the examination of the subject.

The witnesses then withdrew.

A verbatim copy of the proceedings has been kept on record.

The Committee then adjourned.

RAILWAY CONVENTION COMMITTEE (2014)

MINUTES OF THE TWENTY-SEVENTH SITTING OF THE COMMITTEE

The Committee sat on Wednesday, the 14th December, 2016, from 1500 hrs. to 1545 hrs. in Room No. G-074, Parliament Library Building, New Delhi.

PRESENT

Shri Bhartruhari Mahtab - Chairperson

Members

Lok Sabha

2. Shri Kamalbhan Singh Marabi
3. Shri Janak Ram
4. Shri Rahul Ramesh Shewale

Rajya Sabha

5. Shri T.K. Rangarajan
6. Shri Ranvijay Singh Judev
7. Shri Derek 'O' Brien
8. Shri Abdul Wahab

Secretariat

1. Sh. Sukhi Chand Chaudhary - Joint Secretary
2. Sh. M. K. Madhusudhan - Director
3. Sh. D. R. Mohanty - Additional Director

2. At the outset, the Chairperson welcomed the Members to the sitting of the Committee convened to consider and adopt the draft Reports on the subjects (i) Consultancy, Engineering and Project Management Services by RITES and (ii) Scrap Disposal System in Indian Railways respectively. Giving an overview of the important

recommendations contained in the Draft Reports, the Chairperson solicited the views/suggestions of the Members.

3. The Committee then took up for consideration the following Draft Reports:

(i) Consultancy, Engineering and Project Management Services by RITES.

(ii) Scrap Disposal System in Indian Railways

4. After some discussions, the above Draft Reports were adopted by the Committee.

5. The Committee, then, authorized the Chairperson to finalize the Reports in the light of consequential changes that might arise out of factual verification of the Draft Reports and present and lay the same to both the Houses.

The Committee then adjourned.